

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|---|---------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Boardman Township | County Kalkaska |
| Audit Date 6/30/05 | Opinion Date 10/4/05 | Date Accountant Report Submitted to State: October 26, 2005 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

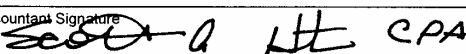
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|-------------------------|-------------------------|---------------------|
| Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C. | | | |
| Street Address 134 W. Harris Street | City Cadillac | State MI | ZIP 49601 |
| Accountant Signature  | | Date 10.25.05 | |

BOARDMAN TOWNSHIP, KALKASKA COUNTY

SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2005

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2005

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SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2005

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 4, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boardman Township, Kalkaska County, South Boardman, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Boardman Township, a general law township located in Kalkaska County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Boardman Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$639,316. Of this amount, \$311,539 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$451,679 an increase of \$32,115 in comparison with the prior year. About 55.74% is available for spending at the Township's discretion.
- ◆ The Township borrowed \$50,000 to assist in purchasing a new fire truck. The balance remaining as of June 30, 2005, is \$32,918.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Township's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, cultural and recreation, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain a proprietary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$639,316 at June 30, 2005, meaning the Township's assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in net assets over the fiscal year.

| Boardman Township | | | |
|---|----|----------------|-------------------|
| Net Assets as of June 30, 2005 | | | |
| | | <u>2005</u> | <u>2004</u> |
| Assets | | | |
| Current Assets | \$ | 456,223 | \$ 426,107 |
| Non Current Assets | | | |
| Capital Assets | \$ | 410,656 | \$ 347,630 |
| Less: Accumulated Depreciation | | (189,856) | (203,869) |
| Total Non Current Assets | \$ | 220,800 | \$ 143,761 |
| Total Assets | \$ | <u>677,023</u> | <u>\$ 569,868</u> |
| Liabilities | | | |
| Current Liabilities | \$ | 20,955 | \$ 5,766 |
| Long-term Liabilities | | 16,752 | 0 |
| Total Liabilities | \$ | 37,707 | \$ 5,766 |
| Net Assets | | | |
| Invested in Capital Assets | \$ | 187,882 | \$ 143,761 |
| Restricted for Specific Purposes | | 139,895 | 94,601 |
| Unrestricted | | 311,539 | 325,740 |
| Total Net Assets | \$ | <u>639,316</u> | <u>\$ 564,102</u> |
| Total Liabilities and Net Assets | \$ | <u>677,023</u> | <u>\$ 569,868</u> |

The most significant portions of the Township's Net Assets are cash investments and investment in capital assets (e.g. land, buildings, equipment, and others) less any related debt that is outstanding that the Township used to acquire assets. The Township has \$311,539 of unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

BOARDMAN TOWNSHIP, KALKASKA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

The total net assets of the Township increased by \$75,214 or 13.33% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Boardman Township
Change in Net Assets**

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-------------|-------------|
| <u>Revenues</u> | | |
| Program Revenues | | |
| Charges for Services | \$ 23,553 | \$ 18,786 |
| Operating Grants | 3,083 | 0 |
| General Revenues | | |
| Property Taxes and Assessments | 122,272 | 116,116 |
| State Shared Revenue | 106,114 | 111,577 |
| Unrestricted Investment Earnings | 5,296 | 3,671 |
| Gain on Sale of Capital Assets | 2,351 | 0 |
| Other | 3,472 | 872 |
| Total Revenues | \$ 266,141 | \$ 251,022 |
| <u>Expenses</u> | | |
| Legislative | \$ 15,416 | \$ 15,206 |
| General Government, Administrative | 68,046 | 67,352 |
| Public Safety | 91,299 | 75,860 |
| Public Works | 7,078 | 9,613 |
| Health and Welfare | 264 | 237 |
| Interest on Long-Term Debt | 523 | 0 |
| Recreation and Culture | 8,301 | 17,142 |
| Other Functions | 0 | 3,338 |
| Total Expenses | \$ 190,927 | \$ 188,748 |
| Changes in Net Assets | \$ 75,214 | \$ 62,274 |
| NET ASSETS – Beginning of Year | 564,102 | 501,828 |
| NET ASSETS – End of Year | \$ 639,316 | \$ 564,102 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Governmental Activities

During the fiscal year ended June 30, 2005, the Township's net assts increased by \$75,214.

The most significant part of the revenue for all governmental activities of Boardman Township comes from property taxes. The Township levied 0.9002 mills for operating purposes, 1.8972 mills for road improvement, and 0.9486 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public safety expenses that total 47.82% of total expenses. The Township spent \$91,299 in fiscal year 2005 on public safety expenses. General governmental represented the next largest expense at \$68,046 followed by legislative at \$15,416, these represent 35.64% and 8.07% respectively.

Business-Type Activities

The Township does not maintain any business-type activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Boardman Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Boardman Township's governmental funds reported combined ending fund balances of \$451,679. Approximately 55.74% of this total amount (\$251,784) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

General Fund – The General Fund's fund balance decreased by (\$5,044) which brings the fund balance to \$254,867. Property tax related revenues increased by 6.17% or \$2,451. State shared revenues decreased by \$2,380 from the prior year, which represents a 2.13% reduction. The General Fund transferred \$57,138 to the Fire Fund to assist in the purchase of a new fire truck.

Fire Fund – The Fire Fund's fund balance decreased by \$12,583 which brings the fund balance to \$3,073. This balance is reserved and must be used for fire protection.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

The Township levied a fire millage on the 2004 tax roll. This resulted in \$26,950 in tax related revenues during the current fiscal year. The Township also contracts with Orange Township for fire protection. This generated \$8,204 in revenues for Boardman Township. In addition, the Fire Fund added a new fire truck costing approximately \$96,082. This purchase was funded by transfers from the General Fund, loan proceeds, and available fund balance.

Road Improvement Fund – The Road Improvement Fund increased its fund balance by \$54,794 which brings the fund balance to \$193,739. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2004 tax roll. Tax related revenues totaled \$53,945 for the current fiscal year. The Township has prepaid \$60,000 for work to be done on Hart Road.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2005 amounted to \$220,800 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current year was \$77,039.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Boardman Township
Capital Assets

| | | <u>2005</u> | | <u>2004</u> |
|-------------------------------|-----------|----------------|-----------|----------------|
| Land and Land Improvements | \$ | 54,013 | \$ | 54,013 |
| Buildings | | 13,978 | | 12,093 |
| Machinery and Equipment | | 342,665 | | 281,524 |
| | \$ | 410,656 | \$ | 347,630 |
| Less Accumulated Depreciation | | (189,856) | | (203,869) |
| Net Capital Assets | \$ | 220,800 | \$ | 143,761 |

Major capital asset additions during the current fiscal year included the following:

- ◆ New fire truck (\$96,082).
- ◆ New tractor for cemetery (\$1,800).

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

- ◆ New tractor for recreation and culture (\$2,500).
- ◆ New garage doors on the fire building (\$1,885)

Long-Term Debt. At the end of the fiscal year, the Township had total installment debt outstanding of \$32,918. The entire balance of this debt is backed by the full faith and credit of the government. The lender also has a security interest in the fire truck purchased with the note proceeds. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2005-06 fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to 0.886 mills for general operating purposes.

A road millage and a fire millage were once again levied for the 2005 tax roll. The mills to be levied for the 2005 tax roll for roads and fire protection are 1.8729 and 0.9364 respectively.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Boardman Township at 4855 Pine Street SW, South Boardman, MI 49680.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2005

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 269,239 |
| Investments | 123,795 |
| Receivables | |
| Taxes | 38 |
| External Parties (Fiduciary Funds) | 68 |
| Due from Other Governments | 3,083 |
| Prepaid Expenses | 60,000 |
| Total Current Assets | <u>\$ 456,223</u> |
| <u>CAPITAL ASSETS</u> | |
| Land and Land Improvements | \$ 54,013 |
| Buildings | 13,978 |
| Machinery and Equipment | 342,665 |
| | <u>\$ 410,656</u> |
| Less Accumulated Depreciation | (189,856) |
| Net Capital Assets | <u>\$ 220,800</u> |
| TOTAL ASSETS | <u><u>\$ 677,023</u></u> |
| <u>LIABILITIES</u> | |
| <u>CURRENT LIABILITIES</u> | |
| Accounts Payable | \$ 3,602 |
| Accrued Expenditures | 942 |
| Accrued Interest | 245 |
| Current Portion of Long-Term Debt | 16,166 |
| Total Current Liabilities | <u>\$ 20,955</u> |
| <u>LONG-TERM LIABILITIES</u> | |
| Note Payable | \$ 32,918 |
| Less: Current Portion | (16,166) |
| Total Long-Term Liabilities | <u>\$ 16,752</u> |
| TOTAL LIABILITIES | <u>\$ 37,707</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 187,882 |
| Restricted for Fire Protection | 3,073 |
| Restricted for Road Improvements | 133,739 |
| Restricted for Right-of-Way Maintenance | 3,083 |
| Unrestricted | 311,539 |
| Total Net Assets | <u>\$ 639,316</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 677,023</u></u> |

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | <u>NET (EXPENSE)</u> <u>REVENUE AND</u> CHANGES IN NET ASSETS |
|---|-------------------|-------------------------|--|---|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | TOTAL GOVERNMENTAL ACTIVITIES |
| <u>PRIMARY GOVERNMENT</u> <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Legislative | \$ 15,416 | \$ 0 | \$ 0 | \$ (15,416) |
| General Government, Administrative | 68,046 | 5,393 | 0 | (62,653) |
| Public Safety | 91,299 | 18,160 | 0 | (73,139) |
| Public Works | 7,078 | 0 | 3,083 | (3,995) |
| Health and Welfare | 264 | 0 | 0 | (264) |
| Recreation and Culture | 8,301 | 0 | 0 | (8,301) |
| Interest on Long-Term Debt | 523 | 0 | 0 | (523) |
| Total | <u>\$ 190,927</u> | <u>\$ 23,553</u> | <u>\$ 3,083</u> | <u>\$ (164,291)</u> |
| <u>GENERAL REVENUES</u> | | | | |
| Property Tax | | | | \$ 122,272 |
| State Shared Revenue - Unrestricted | | | | 106,114 |
| Unrestricted Investment Earnings | | | | 5,296 |
| Gain on Sale of Capital Assets | | | | 2,351 |
| Other | | | | 3,472 |
| Total General Revenues | | | | <u>\$ 239,505</u> |
| Change in Net Assets | | | | \$ 75,214 |
| <u>NET ASSETS</u> - Beginning of Year | | | | <u>564,102</u> |
| <u>NET ASSETS</u> - End of Year | | | | <u>\$ 639,316</u> |

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

| | GENERAL FUND | FIRE FUND | ROAD FUND | NON-MAJOR FUNDS | TOTALS |
|----------------------------|-------------------|-----------------|-------------------|--------------------|-------------------|
| <u>ASSETS</u> | | | | | |
| Cash | \$ 130,965 | \$ 4,554 | \$ 133,720 | \$ 0 | \$ 269,239 |
| Investments | 123,795 | 0 | 0 | 0 | 123,795 |
| Taxes Receivable | 9 | 10 | 19 | 0 | 38 |
| Due from Other Funds | 1,075 | 68 | 0 | 0 | 1,143 |
| Due from Other Governments | 3,083 | 0 | 0 | 0 | 3,083 |
| Prepaid Expenditures | 0 | 0 | 60,000 | 0 | 60,000 |
| TOTAL ASSETS | <u>\$ 258,927</u> | <u>\$ 4,632</u> | <u>\$ 193,739</u> | <u>\$ 0</u> | <u>\$ 457,298</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | | | | |
|----------------------|-----------------|-----------------|-------------|-------------|-----------------|
| Accounts Payable | \$ 2,924 | \$ 484 | \$ 0 | \$ 0 | \$ 3,408 |
| Accrued Expenditures | 942 | 0 | 0 | 0 | 942 |
| Due to Other Funds | 194 | 1,075 | 0 | 0 | 1,269 |
| Total Liabilities | <u>\$ 4,060</u> | <u>\$ 1,559</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,619</u> |

FUND BALANCE

Reserved for:

| | | | | | |
|--------------------------|-------------------|-----------------|-------------------|-------------|-------------------|
| Prepaid Expenditures | \$ 0 | \$ 0 | \$ 60,000 | \$ 0 | \$ 60,000 |
| Fire Protection | 0 | 3,073 | 0 | 0 | 3,073 |
| Road Improvements | 0 | 0 | 133,739 | 0 | 133,739 |
| Debt Retirement | 0 | 0 | 0 | 0 | 0 |
| Right-of-Way Maintenance | 3,083 | 0 | 0 | 0 | 3,083 |
| Unreserved | | | | | |
| Undesignated | 251,784 | 0 | 0 | 0 | 251,784 |
| Total Fund Balance | <u>\$ 254,867</u> | <u>\$ 3,073</u> | <u>\$ 193,739</u> | <u>\$ 0</u> | <u>\$ 451,679</u> |

TOTAL LIABILITIES

| | | | | | |
|------------------|-------------------|-----------------|-------------------|-------------|-------------------|
| AND FUND BALANCE | <u>\$ 258,927</u> | <u>\$ 4,632</u> | <u>\$ 193,739</u> | <u>\$ 0</u> | <u>\$ 457,298</u> |
|------------------|-------------------|-----------------|-------------------|-------------|-------------------|

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

| | |
|--|------------|
| Total Fund Balances for Governmental Funds | \$ 451,679 |
|--|------------|

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

| | | |
|--------------------------|------------------|---------|
| Land | \$ 45,013 | |
| Land Improvements | 9,000 | |
| Buildings | 13,978 | |
| Equipment | 342,665 | |
| Accumulated Depreciation | <u>(189,856)</u> | 220,800 |

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds:

| | | |
|--------------------------|--------------|----------|
| Note Payable | (32,918) | |
| Accrued Interest Payable | <u>(245)</u> | (33,163) |

| | |
|---------------------------------------|-------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 639,316</u> |
|---------------------------------------|-------------------|

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY

SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

| | GENERAL FUND | FIRE FUND | ROAD IMPROVEMENT FUND | NON-MAJOR FUNDS | TOTALS |
|--|-----------------|--------------|-----------------------------|--------------------|-------------|
| <u>REVENUES</u> | | | | | |
| Taxes | \$ 42,154 | \$ 26,950 | \$ 53,945 | \$ 0 | \$ 123,049 |
| Licenses and Permits | 8,482 | 0 | 0 | 0 | 8,482 |
| State Grants | 109,197 | 0 | 0 | 0 | 109,197 |
| Contributions from Local Units | 0 | 8,204 | 0 | 0 | 8,204 |
| Charges for Services | 6,867 | 0 | 0 | 0 | 6,867 |
| Interest and Rents | 4,452 | 132 | 706 | 6 | 5,296 |
| Other Revenues | 2,685 | 2,995 | 143 | 0 | 5,823 |
| Total Revenues | \$ 173,837 | \$ 38,281 | \$ 54,794 | \$ 6 | \$ 266,918 |
| <u>EXPENDITURES</u> | | | | | |
| Legislative | \$ 15,416 | \$ 0 | \$ 0 | \$ 0 | \$ 15,416 |
| General Government | 66,028 | 0 | 0 | 0 | 66,028 |
| Public Safety | 23,798 | 145,700 | 0 | 0 | 169,498 |
| Public Works | 7,078 | 0 | 0 | 0 | 7,078 |
| Health and Welfare | 264 | 0 | 0 | 0 | 264 |
| Community and Economic Development | 0 | 0 | 0 | 0 | 0 |
| Recreation and Culture | 9,159 | 0 | 0 | 0 | 9,159 |
| Debt Service | 0 | 17,360 | 0 | 0 | 17,360 |
| Other Functions | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | \$ 121,743 | \$ 163,060 | \$ 0 | \$ 0 | \$ 284,803 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 52,094 | \$ (124,779) | \$ 54,794 | \$ 6 | \$ (17,885) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Transfers In | \$ 0 | \$ 62,196 | \$ 0 | \$ 0 | \$ 62,196 |
| Transfers Out | (57,138) | 0 | 0 | (5,058) | (62,196) |
| Loan Proceeds | 0 | 50,000 | 0 | 0 | 50,000 |
| Total Other Financing Sources (Uses) | \$ (57,138) | \$ 112,196 | \$ 0 | \$ (5,058) | \$ 50,000 |
| Net Change in Fund Balance | \$ (5,044) | \$ (12,583) | \$ 54,794 | \$ (5,052) | \$ 32,115 |
| <u>FUND BALANCE -</u> | | | | | |
| Beginning of Year | 259,911 | 15,656 | 138,945 | 5,052 | 419,564 |
| <u>FUND BALANCE -</u> | | | | | |
| End of Year | \$ 254,867 | \$ 3,073 | \$ 193,739 | \$ 0 | \$ 451,679 |

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

| | |
|---|------------------|
| Net change in Fund Balance - Total Governmental Funds | \$ 32,115 |
| Amounts reported for governmental activities are different because: | |
| Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. | |
| Depreciation Expense | (25,987) |
| Capital Outlay | 103,026 |
| Accrued interest on bonds is recorded in the statement of activities when incurred; it is not record in governmental funds until it is paid. | |
| Accrued Interest Payable - End of Year | (245) |
| Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities). | |
| | 17,082 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Change in personal property tax revenue deferred using the modified accrual method | (777) |
| Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. | |
| | <u>(50,000)</u> |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 75,214</u> |

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2005

| | <u>AGENCY FUNDS</u> |
|--------------------------------------|----------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 854 |
| Due from Other Funds | <u>194</u> |
| TOTAL ASSETS | <u><u>\$ 1,048</u></u> |
| <u>LIABILITIES</u> | |
| Overdraft | \$ 194 |
| Accounts Payable - Boardman Township | 68 |
| Due to Other Governments | <u>786</u> |
| TOTAL LIABILITIES | <u><u>\$ 1,048</u></u> |

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boardman Township is a general law township located in Kalkaska County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Boardman Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally Boardman Township reports the following fund types:

The *debt service funds* account for the servicing of long-term debt not being financed by proprietary or nonexpendable trust funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Boardman Township Board at the Board's organizational meeting after each regular election of board members.
- (c) Repurchase agreements consisting of instruments listed in subdivision (a).
- (d) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Boardman Township totaled \$27,952,158, on which ad valorem taxes levied consisted of 0.9002 mills for the Boardman Township operating purposes, 1.8972 mills for the Boardman Township road improvements, and 0.9486 mills for Boardman Township fire protection. These levies raised approximately \$25,146 for operating purposes, \$53,002 for road improvements, and \$26,498 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

| <u>ASSETS</u> | <u>YEARS</u> |
|------------------------------|--------------|
| Buildings | 50 |
| Building improvements | 20 |
| Public domain infrastructure | 50 |
| System infrastructure | 30 |
| Vehicles | 5 |
| Equipment | 5-10 |

Boardman Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types (if applicable) in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on May 5, 2004.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Funds with Expenditures in Excess of Appropriations were as follows:

| | <u>APPROPRIATIONS</u> | <u>EXPENDITURES</u> |
|--------------|-----------------------|---------------------|
| General Fund | | |
| Election | \$ 2,500 | \$ 3,707 |
| Clerk | 13,500 | 13,792 |
| Fire Fund | 5,019 | 163,060 |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$65,771 of the government's bank balance of \$274,438 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the Township's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the Township's name.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

| | CATEGORY | | | CARRYING AMOUNT | FAIR VALUE |
|----------------------------------|------------|------|------|--------------------|---------------|
| | 1 | 2 | 3 | | |
| Investments - Primary Government | | | | | |
| U.S. Government | | | | | |
| Securities | \$ 123,795 | \$ 0 | \$ 0 | \$ 123,795 | \$ 123,795 |

A reconciliation of cash and investments follows:

| | |
|---|-------------------|
| Carrying amount of Deposits | \$ 269,899 |
| Carrying amount of Investments | 123,795 |
| Total | <u>\$ 393,694</u> |
| Government-wide Statement of Net Assets | |
| Cash | \$ 269,239 |
| Investments | 123,795 |
| Statement of Fiduciary Net Assets | |
| Cash | 854 |
| Overdraft | (194) |
| Total | <u>\$ 393,694</u> |

B. Receivables

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

| | General | Fire | Road | Nonmajor And Other Funds | Total |
|--------------|-------------|--------------|--------------|--------------------------------|---------------|
| Receivables | | | | | |
| Taxes | \$ 9 | \$ 10 | \$ 19 | \$ 0 | \$ 38 |
| Agency Funds | 0 | 68 | 0 | 0 | 68 |
| | <u>\$ 9</u> | <u>\$ 78</u> | <u>\$ 19</u> | <u>\$ 0</u> | <u>\$ 106</u> |

The allowance for doubtful accounts is not considered to be material for disclosure

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

revenue recognition in connection with resources that have been received, but not yet earned. No deferred revenue was recorded in any of the funds at the end of the fiscal year.

C. Capital Assets

Primary Government

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------|-----------|-------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 45,013 | \$ 0 | \$ 0 | \$ 45,013 |
| Capital assets, being depreciated | | | | |
| Buildings | \$ 12,093 | \$ 1,885 | \$ 0 | \$ 13,978 |
| Land Improvements | 9,000 | 0 | 0 | 9,000 |
| Machinery and equipment | 281,524 | 101,141 | 40,000 | 342,665 |
| Total capital assets, being depreciated | \$ 302,617 | \$ 103,026 | \$ 40,000 | \$ 365,643 |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 6,552 | \$ 337 | \$ 0 | \$ 6,889 |
| Land Improvements | 2,700 | 600 | 0 | 3,300 |
| Machinery and equipment | 194,617 | 25,050 | 40,000 | 179,667 |
| Total accumulated depreciation | \$ 203,869 | \$ 25,987 | \$ 40,000 | \$ 189,856 |
| Total capital assets, being depreciated, net | \$ 98,748 | \$ 77,039 | \$ 0 | \$ 175,787 |
| Governmental activities capital assets, net | \$ 143,761 | \$ 77,039 | \$ 0 | \$ 220,800 |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|--|-----------|
| General Government | \$ 3,818 |
| Public Safety | 20,527 |
| Culture and Recreation | 1,642 |
| Total depreciation expense – governmental activities | \$ 25,987 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2005, were:

| <u>FUND</u> | <u>INTERFUND RECEIVABLES</u> | <u>INTERFUND PAYABLES</u> |
|------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 1,075 | \$ 194 |
| Special Revenue Funds | | |
| Fire | 68 | 1,075 |
| Fiduciary Funds | | |
| Current Tax Collection | 194 | 0 |
| Trust and Agency | 0 | 68 |
| | <u>\$ 1,337</u> | <u>\$ 1,337</u> |

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be resolved within one year.

Interfund transfers as of June 30, 2005, were:

| | <u>IN</u> | <u>OUT</u> |
|-----------------------------|------------------|------------------|
| General Fund | \$ 0 | \$ 57,138 |
| Fire Fund | 62,196 | 0 |
| Nonmajor Debt Service Funds | 0 | 5,058 |
| | <u>\$ 62,196</u> | <u>\$ 62,196</u> |

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. Long-Term Debt

The following is a summary of the long-term debt transactions of Boardman Township for the year ended June 30, 2005:

| | <u>NOTES PAYABLE</u> |
|---|--------------------------|
| Long –Term Debt Payable | |
| At July 1, 2004 | \$ 0 |
| New Debt Incurred | 50,000 |
| Payments on Debt | <u>(17,082)</u> |
| LONG-TERM DEBT PAYABLE | |
| AT JUNE 30, 2005 | \$ <u>32,918</u> |
| Due within one year | \$ <u>16,166</u> |
| <i>Notes Payable:</i> | |
| \$50,000 note payable due in annual installments of | |
| \$17,361 through April 15, 2007; interest at 3.58% | \$ <u>32,918</u> |

The annual requirements to amortize debt outstanding as of June 30, 2005, are as follows:

| Year Ending | Principal | Interest | Total |
|---------------|-----------------|----------------|-----------------|
| June 30, 2006 | \$ 16,166 | \$ 1,195 | \$ 17,361 |
| June 30, 2007 | <u>16,752</u> | <u>608</u> | <u>17,360</u> |
| | \$ 32,918 | \$ 1,803 | \$ 34,721 |

The Township is currently not liable for any special assessment debt obligation.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

FUND BALANCE

Reserved

General Fund

Right-of-Way Maintenance \$ 3,083

Special Revenue Funds

Fire Fund

Fire Protection \$ 3,073

Road Fund

Prepaid Expenditures \$ 60,000

Road Improvements 133,739 193,739 196,812

TOTAL FUND BALANCE DESIGNATIONS \$ 199,895

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

| | GENERAL FUND | | | | FIRE FUND | | | | ROAD IMPROVEMENT FUND | | | |
|--|--------------------|-----------------|-------------|----------------------------------|--------------------|-----------------|--------------|----------------------------------|-----------------------|-----------------|------------|----------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| <u>REVENUES</u> | | | | | | | | | | | | |
| Taxes | \$ 108,600 | \$ 108,600 | \$ 42,154 | \$ (66,446) | \$ 28,001 | \$ 28,001 | \$ 26,950 | \$ (1,051) | \$ 56,002 | \$ 56,002 | \$ 53,945 | \$ (2,057) |
| Licenses and Permits | 5,264 | 5,264 | 8,482 | 3,218 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Grants | 108,536 | 108,536 | 109,197 | 661 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions from Local Units | 0 | 0 | 0 | 0 | 0 | 0 | 8,204 | 8,204 | 0 | 0 | 0 | 0 |
| Charges for Services | 27,000 | 27,000 | 6,867 | (20,133) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and Rents | 3,600 | 3,600 | 4,452 | 852 | 0 | 0 | 132 | 132 | 0 | 0 | 706 | 706 |
| Other Revenues | 12,907 | 12,907 | 2,685 | (10,222) | 0 | 0 | 2,995 | 2,995 | 0 | 0 | 143 | 143 |
| Total Revenues | \$ 265,907 | \$ 265,907 | \$ 173,837 | \$ (92,070) | \$ 28,001 | \$ 28,001 | \$ 38,281 | \$ 10,280 | \$ 56,002 | \$ 56,002 | \$ 54,794 | \$ (1,208) |
| <u>EXPENDITURES</u> | | | | | | | | | | | | |
| Legislative | \$ 25,000 | \$ 25,000 | \$ 15,416 | \$ 9,584 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| General Government | 82,000 | 82,000 | 66,028 | 15,972 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety | 64,997 | 64,997 | 23,798 | 41,199 | 5,019 | 5,019 | 145,700 | (140,681) | 0 | 0 | 0 | 0 |
| Public Works | 140,281 | 140,281 | 7,078 | 133,203 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Health and Welfare | 264 | 264 | 264 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recreation and Culture | 15,000 | 15,000 | 9,159 | 5,841 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 17,360 | (17,360) | 0 | 0 | 0 | 0 |
| Other Functions | 3,300 | 3,300 | 0 | 3,300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency | 15,000 | 15,000 | 0 | 15,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | \$ 345,842 | \$ 345,842 | \$ 121,743 | \$ 224,099 | \$ 5,019 | \$ 5,019 | \$ 163,060 | \$ (158,041) | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (79,935) | \$ (79,935) | \$ 52,094 | \$ 132,029 | \$ 22,982 | \$ 22,982 | \$ (124,779) | \$ (147,761) | \$ 56,002 | \$ 56,002 | \$ 54,794 | \$ (1,208) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | | | | | | | |
| Transfers In | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 62,196 | \$ 62,196 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Transfers Out | 0 | 0 | (57,138) | (57,138) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loan Proceeds | 0 | 0 | 0 | 0 | 0 | 0 | 50,000 | 50,000 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ (57,138) | \$ (57,138) | \$ 0 | \$ 0 | \$ 112,196 | \$ 112,196 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Net Change in Fund Balance | \$ (79,935) | \$ (79,935) | \$ (5,044) | \$ 74,891 | \$ 22,982 | \$ 22,982 | \$ (12,583) | \$ (35,565) | \$ 56,002 | \$ 56,002 | \$ 54,794 | \$ (1,208) |
| <u>FUND BALANCE</u> - Beginning of Year | 79,935 | 79,935 | 259,911 | 179,976 | 0 | 0 | 15,656 | 15,656 | 0 | 0 | 138,945 | 138,945 |
| <u>FUND BALANCE</u> - End of Year | \$ 0 | \$ 0 | \$ 254,867 | \$ 254,867 | \$ 22,982 | \$ 22,982 | \$ 3,073 | \$ (19,909) | \$ 56,002 | \$ 56,002 | \$ 193,739 | \$ 137,737 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2005</u> | <u>2004</u> |
|---------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 130,965 | \$ 142,883 |
| Investments | 123,795 | 118,884 |
| Taxes Receivable | 9 | 186 |
| Due from Other Funds | 1,075 | 2,573 |
| Due from Other Governments | <u>3,083</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 258,927</u> | <u>\$ 264,526</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 2,924 | \$ 2,962 |
| Accrued Expenditures | 942 | 1,467 |
| Due to Other Funds | 194 | 0 |
| Deferred Revenue | <u>0</u> | <u>186</u> |
| Total Liabilities | <u>\$ 4,060</u> | <u>\$ 4,615</u> |
| <u>FUND BALANCE</u> | | |
| Reserved for Right-of-Way Maintenance | \$ 3,083 | \$ 0 |
| Unreserved | <u>251,784</u> | <u>259,911</u> |
| Total Fund Balance | <u>\$ 254,867</u> | <u>\$ 259,911</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 258,927</u> | <u>\$ 264,526</u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

| | <u>2005</u> | | <u>2004</u> |
|--|-------------------|-------------------|-------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| <u>REVENUES</u> | | | |
| Taxes | \$ 108,600 | \$ 42,154 | \$ 39,703 |
| Licenses and Permits | 5,264 | 8,482 | 3,919 |
| State Grants | 108,536 | 109,197 | 111,577 |
| Charges for Services | 27,000 | 6,867 | 7,160 |
| Interest and Rents | 3,600 | 4,452 | 2,905 |
| Other Revenues | 12,907 | 2,685 | 872 |
| Total Revenues | <u>\$ 265,907</u> | <u>\$ 173,837</u> | <u>\$ 166,136</u> |
| <u>EXPENDITURES</u> | | | |
| Legislative | | | |
| Township Board | \$ 25,000 | \$ 15,416 | \$ 15,206 |
| General Government | | | |
| Supervisor | 10,500 | 8,469 | 10,744 |
| Election | 2,500 | 3,707 | 902 |
| Assessor | 13,000 | 11,932 | 11,439 |
| Legal Fees | 3,000 | 1,215 | 854 |
| Clerk | 13,500 | 13,792 | 13,240 |
| Board of Review | 2,000 | 1,432 | 1,055 |
| Treasurer | 15,500 | 14,231 | 12,474 |
| Building and Grounds | 12,000 | 3,701 | 5,513 |
| Cemetery | 10,000 | 7,549 | 11,450 |
| Public Safety | 64,997 | 23,798 | 20,791 |
| Public Works | 140,281 | 7,078 | 73,465 |
| Health and Welfare | 264 | 264 | 237 |
| Recreation and Culture | 15,000 | 9,159 | 15,542 |
| Other Functions | 3,300 | 0 | 3,338 |
| Contingency | 15,000 | 0 | 0 |
| Total Expenditures | <u>\$ 345,842</u> | <u>\$ 121,743</u> | <u>\$ 196,250</u> |
| Excess of Revenues Over (Under) Expenditures | \$ (79,935) | \$ 52,094 | \$ (30,114) |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

| | <u>2005</u> | | <u>2004</u> |
|---|-------------------|-------------------|-------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers Out | \$ 0 | \$ (57,138) | \$ 0 |
| Net Change in Fund Balance | \$ (79,935) | \$ (5,044) | \$ (30,114) |
| <u>FUND BALANCE</u> - Beginning of Year | 79,935 | 259,911 | 290,025 |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 0</u> | <u>\$ 254,867</u> | <u>\$ 259,911</u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

TAXES

| | | | |
|---------------------------------|----|--------|-----------|
| Property Tax | \$ | 25,491 | |
| Property Tax Administration Fee | | 8,049 | |
| Penalties and Interest | | 1,771 | |
| Commercial Forest | | 16 | |
| Swamp Tax | | 6,827 | |
| Total Taxes | | | \$ 42,154 |

LICENSES AND PERMITS

| | | | |
|----------------------------------|----|-------|-------|
| Nonbusiness Licenses and Permits | \$ | 7,880 | |
| Franchise Fees | | 602 | |
| Total Licenses and Permits | | | 8,482 |

STATE GRANTS

| | | | |
|---|----|---------|---------|
| Telecommunications Right of Way Maintenance | \$ | 3,083 | |
| Sales and Use Tax | | 106,114 | |
| Total State Grants | | | 109,197 |

CHARGES FOR SERVICES

| | | | |
|----------------------------|----|-------|-------|
| Summer Tax Collection | \$ | 2,993 | |
| Cemetery Lots | | 2,400 | |
| Fines and Forfeitures | | 1,474 | |
| Total Charges for Services | | | 6,867 |

INTEREST AND RENTS

| | | | |
|-------------------|--|--|-------|
| Interest Earnings | | | 4,452 |
|-------------------|--|--|-------|

OTHER REVENUES

| | | | |
|---------------|--|--|-------|
| Miscellaneous | | | 2,685 |
|---------------|--|--|-------|

| | | | |
|----------------|--|--|-------------------|
| TOTAL REVENUES | | | <u>\$ 173,837</u> |
|----------------|--|--|-------------------|

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 2,320

Social Security and Medicare 3,046

Supplies

Office Supplies 705

Other Services and Charges

Dues 690

Education 40

Insurance 2,922

Professional Services 4,800

Public Utilities 505

Repairs and Maintenance 148

Miscellaneous 240

Total Legislative \$ 15,416

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 6,840

Supplies

Office Supplies 289

Other Services and Charges

Education 75

Insurance 552

Public Utilities 619

Repairs and Maintenance 94

Total Supervisor \$ 8,469

Elections

Personal Services

Salaries and Wages \$ 3,055

Supplies

Operating Supplies 28

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

| | | |
|-----------------------------|----------|--------|
| Other Services and Charges | | |
| Education | 10 | |
| Repairs and Maintenance | 225 | |
| Capital Outlay | 389 | |
| Total Elections | | 3,707 |
| Assessor | | |
| Supplies | | |
| Office Supplies | \$ 769 | |
| Other Services and Charges | | |
| Education | 420 | |
| Contracted Services | 10,743 | |
| Total Assessor | | 11,932 |
| Legal | | |
| Other Services and Charges | | |
| Professional Services | | 1,215 |
| Clerk | | |
| Personal Services | | |
| Salaries and Wages | \$ 9,446 | |
| Salaries and Wages - Deputy | 300 | |
| Supplies | | |
| Office Supplies | 806 | |
| Other Services and Charges | | |
| Education | 60 | |
| Insurance | 517 | |
| Public Utilities | 686 | |
| Repairs and Maintenance | 85 | |
| Capital Outlay | 1,892 | |
| Total Clerk | | 13,792 |
| Board of Review | | |
| Personal Services | | |
| Salaries and Wages | \$ 1,005 | |
| Supplies | | |
| Office Supplies | 8 | |
| Other Services and Charges | | |
| Insurance | 419 | |
| Total Board of Review | | 1,432 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Treasurer

Personal Services

Salaries and Wages \$ 9,893

Salaries and Wages - Deputy 588

Supplies

Office Supplies 1,102

Other Services and Charges

Contracted Services 1,363

Education 80

Insurance 517

Public Utilities 688

Total Treasurer 14,231

Building and Grounds

Personal Services

Salaries and Wages \$ 544

Supplies

Operating Supplies 65

Other Services and Charges

Public Utilities 1,835

Repairs and Maintenance 149

Transportation 1,108

Total Building and Grounds 3,701

Cemetery

Personal Services

Salaries and Wages \$ 2,704

Supplies

Operating Supplies 296

Other Services and Charges

Dues 30

Insurance 1,756

Public Utilities 213

Repairs and Maintenance 750

Capital Outlay 1,800

Total Cemetery 7,549

Total General Government

66,028

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

PUBLIC SAFETY

Police Department

Other Services and Charges

Contracted Services \$ 19,338

Planning and Zoning

Personal Services

Salaries and Wages \$ 3,100

Supplies

Operating Supplies 299

Other Services and Charges

Insurance 593

Public Utilities 468

Total Planning and Zoning 4,460

Total Public Safety 23,798

PUBLIC WORKS

Highways, Streets and Bridges

Supplies

Operating Supplies \$ 261

Street Lighting

Other Services and Charges

Public Utilities 1,929

Refuse Collection

Other Services and Charges

Contracted Services 4,888

Total Public Works 7,078

HEALTH AND WELFARE

Hospital Operation

Other Services and Charges

Miscellaneous 264

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

RECREATION AND CULTURE

Recreation and Parks

Personal Services

Salaries and Wages \$ 2,010

Supplies

Operating Supplies 1,227

Other Services and Charges

Insurance 998

Public Utilities 575

Repairs and Maintenance 1,849

Capital Outlay 2,500

Total Recreation and Culture 9,159

TOTAL EXPENDITURES \$ 121,743

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2005</u> | <u>2004</u> |
|-------------------------------------|------------------------|-------------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 4,554 | \$ 17,981 |
| Taxes Receivable | 10 | 197 |
| Due from Other Funds | <u>68</u> | <u>87</u> |
| Total Assets | <u><u>\$ 4,632</u></u> | <u><u>\$ 18,265</u></u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 484 | \$ 1,337 |
| Due to Other Funds | 1,075 | 1,075 |
| Deferred Revenue | <u>0</u> | <u>197</u> |
| Total Liabilities | \$ 1,559 | \$ 2,609 |
| <u>FUND BALANCE</u> | | |
| Reserved for Fire Protection | <u>3,073</u> | <u>15,656</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 4,632</u></u> | <u><u>\$ 18,265</u></u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

| | <u>2005</u> | | <u>2004</u> |
|--------------------------------|------------------|------------------|------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| <u>REVENUES</u> | | | |
| Taxes | | | |
| Property Tax | \$ 28,001 | \$ 26,933 | \$ 25,189 |
| Commercial Forest | 0 | 17 | 21 |
| Contributions from Local Units | | | |
| Orange Township | 0 | 8,204 | 7,707 |
| Interest and Rents | | | |
| Interest | 0 | 132 | 64 |
| Other | | | |
| Sale of Capital Assets | 0 | 2,351 | 0 |
| Refunds and Reimbursements | 0 | 644 | 0 |
| | | | |
| Total Revenues | <u>\$ 28,001</u> | <u>\$ 38,281</u> | <u>\$ 32,981</u> |
| <u>EXPENDITURES</u> | | | |
| Public Safety | | | |
| Fire Protection | | | |
| Personal Services | | | |
| Salaries and Wages | \$ 0 | \$ 15,430 | \$ 16,840 |
| Employee Benefits | 0 | 1,142 | 1,288 |
| Supplies | | | |
| Operating Supplies | 0 | 1,072 | 1,173 |
| Fuel | 0 | 1,403 | 625 |
| Other Services and Charges | | | |
| Repair and Maintenance | 0 | 8,997 | 2,624 |
| Public Utilities | 0 | 3,604 | 3,424 |
| Insurance | 0 | 14,107 | 7,470 |
| Travel and Education | 0 | 345 | 130 |
| Dues and Subscriptions | 0 | 108 | 0 |
| Bank Fees | 0 | 96 | 0 |
| Miscellaneous | 0 | 22 | 258 |
| Capital Outlay | 5,019 | 99,374 | 2,164 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

| | <u>2005</u> | | <u>2004</u> |
|---|---------------|---------------|---------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| Debt Service | | | |
| Principal | 0 | 17,082 | 0 |
| Interest | 0 | 278 | 0 |
| Prior Period Adjustments | 0 | 0 | 1,774 |
| | | | |
| Total Expenditures | \$ 5,019 | \$ 163,060 | \$ 37,770 |
| | | | |
| Excess (Deficiency) of | | | |
| Revenues Over Expenditures | \$ 22,982 | \$ (124,779) | \$ (4,789) |
| | | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | \$ 0 | \$ 62,196 | \$ 0 |
| Loan Proceeds | 0 | 50,000 | 0 |
| | | | |
| Total Other Financing Sources and Uses | \$ 0 | \$ 112,196 | \$ 0 |
| | | | |
| Net Change in Fund Balance | \$ 22,982 | \$ (12,583) | \$ (4,789) |
| <u>FUND BALANCE</u> - Beginning of Year | 0 | 15,656 | 20,445 |
| <u>FUND BALANCE</u> - End of Year | \$ 22,982 | \$ 3,073 | \$ 15,656 |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

ROAD FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2005</u> | <u>2004</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 133,720 | \$ 78,907 |
| Taxes Receivable | 19 | 394 |
| Due from Other Funds | 0 | 38 |
| Prepaid Expenditures | <u>60,000</u> | <u>60,000</u> |
| Total Assets | <u>\$ 193,739</u> | <u>\$ 139,339</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Deferred Revenue | <u>\$ 0</u> | <u>\$ 394</u> |
| <u>FUND BALANCE</u> | | |
| Reserved for | | |
| Prepaid Expenditures | \$ 60,000 | \$ 60,000 |
| Road Improvements | <u>133,739</u> | <u>78,945</u> |
| Total Fund Balance | <u>\$ 193,739</u> | <u>\$ 138,945</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 193,739</u> | <u>\$ 139,339</u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

| | <u>2005</u> | | <u>2004</u> |
|---|---------------|---------------|---------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| <u>REVENUES</u> | | | |
| Taxes | | | |
| Property Tax | \$ 56,002 | \$ 53,872 | \$ 50,383 |
| Commercial Forest | 0 | 73 | 43 |
| Interest and Rents | | | |
| Interest | 0 | 706 | 669 |
| Other | | | |
| Refunds and Reimbursements | 0 | 143 | 0 |
| Total Revenues | \$ 56,002 | \$ 54,794 | \$ 51,095 |
| <u>EXPENDITURES</u> | | | |
| Public Works | | | |
| Highways, Streets and Bridges | | | |
| Other Services and Charges | | | |
| Repairs and Maintenance | 0 | 0 | 2,544 |
| Excess (Deficiency) of | | | |
| Revenues Over Expenditures | \$ 56,002 | \$ 54,794 | \$ 48,551 |
| <u>FUND BALANCE</u> - Beginning of Year | 0 | 138,945 | 90,394 |
| <u>FUND BALANCE</u> - End of Year | \$ 56,002 | \$ 193,739 | \$ 138,945 |

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BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NONMAJOR DEBT SERVICE FUND - FIRE DEBT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

| | <u>2005</u> | <u>2004</u> |
|---|--------------------|------------------------|
| <u>REVENUES</u> | | |
| Interest | | |
| Interest on Investments | \$ 6 | \$ 33 |
| | <u>0</u> | <u>0</u> |
| <u>EXPENDITURES</u> | | |
| Excess (Deficiency) of Revenues | | |
| Over Expenditures | \$ 6 | \$ 33 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Transfer Out | <u>(5,058)</u> | <u>0</u> |
| Net Change in Fund Balance | \$ (5,052) | \$ 33 |
| <u>FUND BALANCE</u> - Beginning of Year | <u>5,052</u> | <u>5,019</u> |
| <u>FUND BALANCE</u> - End of Year | <u><u>\$ 0</u></u> | <u><u>\$ 5,052</u></u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

| | BALANCE | | | BALANCE |
|--|-----------------|-------------------|-------------------|---------------|
| | 7/1/2004 | ADDITIONS | DEDUCTIONS | 6/30/2005 |
| <u>CURRENT TAX COLLECTION FUND</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 2,259 | \$ 774,151 | \$ 776,410 | \$ 0 |
| Due from Other Funds | 0 | 194 | 0 | 194 |
| Total Assets | <u>\$ 2,259</u> | <u>\$ 774,345</u> | <u>\$ 776,410</u> | <u>\$ 194</u> |
| <u>LIABILITIES</u> | | | | |
| Overdraft | \$ 0 | \$ 194 | \$ 0 | \$ 194 |
| Due to Other Organizations and Individuals | 0 | 2,147 | 2,147 | 0 |
| Due to Other Governments | 704 | 670,615 | 671,319 | 0 |
| Due to Other Funds | 1,555 | 103,812 | 105,367 | 0 |
| Total Liabilities | <u>\$ 2,259</u> | <u>\$ 776,768</u> | <u>\$ 778,833</u> | <u>\$ 194</u> |
| <u>TRUST AND AGENCY</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash | <u>\$ 954</u> | <u>\$ 578</u> | <u>\$ 678</u> | <u>\$ 854</u> |
| <u>LIABILITIES</u> | | | | |
| Due to Other Governments | \$ 886 | \$ 578 | \$ 678 | \$ 786 |
| Due to Other Funds | 68 | 0 | 0 | 68 |
| Total Liabilities | <u>\$ 954</u> | <u>\$ 578</u> | <u>\$ 678</u> | <u>\$ 854</u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

| | BALANCE | | | BALANCE |
|--|-----------------|-------------------|-------------------|-----------------|
| | 7/1/2004 | ADDITIONS | DEDUCTIONS | 6/30/2005 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 3,213 | \$ 774,729 | \$ 777,088 | \$ 854 |
| Due from Other Funds | 0 | 194 | 0 | 194 |
| Total Assets | <u>\$ 3,213</u> | <u>\$ 774,923</u> | <u>\$ 777,088</u> | <u>\$ 1,048</u> |
| <u>LIABILITIES</u> | | | | |
| Due to Other Organizations and Individuals | \$ 0 | \$ 2,147 | \$ 2,147 | \$ 0 |
| Due to Other Governments | 1,590 | 671,193 | 671,997 | 786 |
| Due to Other Funds | 1,623 | 103,812 | 105,367 | 68 |
| Total Liabilities | <u>\$ 3,213</u> | <u>\$ 777,152</u> | <u>\$ 779,511</u> | <u>\$ 854</u> |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
STATEMENT OF 2004 TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

| | | | |
|-------------------------------|----|---------|------------|
| County | \$ | 194,547 | |
| County - State Education Tax | | 168,023 | |
| Kalkaska Public Transit | | 6,831 | |
| Kalkaska Memorial Hospital | | 47,493 | |
| Township | | | |
| Operating | | 25,146 | |
| Roads | | 53,002 | |
| Fire Protection | | 26,498 | |
| Schools | | | |
| Forest Area Community Schools | | 256,649 | |
| Intermediate School | | | |
| Traverse Bay Area | | 83,065 | \$ 861,254 |
| | | | |

TAXES COLLECTED

| | | | |
|-------------------------------|----|---------|---------|
| County | \$ | 164,749 | |
| County - State Education Tax | | 150,982 | |
| Kalkaska Public Transit | | 5,785 | |
| Kalkaska Memorial Hospital | | 40,218 | |
| Township | | | |
| Operating | | 21,294 | |
| Roads | | 44,883 | |
| Fire Protection | | 22,439 | |
| Schools | | | |
| Forest Area Community Schools | | 219,226 | |
| Intermediate School | | | |
| Traverse Bay Area | | 70,341 | 739,917 |
| | | | |

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
STATEMENT OF 2004 TAX ROLL
JUNE 30, 2005

TAXES RETURNED DELINQUENT

| | | | |
|-------------------------------|----|--------|------------|
| County | \$ | 29,798 | |
| County - State Education Tax | | 17,041 | |
| Kalkaska Public Transit | | 1,046 | |
| Kalkaska Memorial Hospital | | 7,275 | |
| Township | | | |
| Operating | | 3,852 | |
| Roads | | 8,119 | |
| Fire Protection | | 4,059 | |
| Schools | | | |
| Forest Area Community Schools | | 37,423 | |
| Intermediate School | | | |
| Traverse Bay Area | | 12,724 | \$ 121,337 |
| | | | |

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

October 4, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

During the course of our audit of the financial statements of Boardman Township for the year ended June 30, 2005, we noted the following:

Budgeting

P.A. 621 of 1978 states that the budget document that the Township adopts include the amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated. Amendments should be done prior to year end.

The expenditures for several activities in the General Fund exceeded the budgeted amounts. The Fire Fund expenditures also exceeded budgeted amounts.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

A complete budget should be adopted for each of the Township's funds with the items listed above.

Reconciliations of Clerk and Treasurer Ledgers

We recommend that the Treasurer and Clerk reconcile their bank account balances with each other on a monthly basis. A complete and accurate bank reconciliation that reconciles from the bank balance to the book balance should be prepared each month for each bank account. This will facilitate a continuous balancing of records and help strengthen internal controls.

Payroll Tax Reporting

When comparing the W-2 statements to the Form 941's for the year, we noted small differences. If left uncorrected, the Township may, in the future, receive an inquiry from the IRS. We are available to assist the Township in making the necessary corrections, if desired. This would also help prevent future errors of the same type.

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Boardman Township for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

General Condition of Accounting Records

The accounting records being maintained for the year ended June 30, 2005, were found to be in good order and in compliance with the State's uniform accounting system. We would like to recommend, however, that each invoice be marked with the date paid, the check number, and the general ledger account number that it was posted to. We commend the clerk and treasurer for their fine effort.

We would like to thank the board for its confidence in our firm and to thank the township clerk, treasurer and supervisor for their cooperation.

If you have any questions or need assistance relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 4, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

In planning and performing our audit of the financial statements of Boardman Township, Kalkaska County, South Boardman, Michigan for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.